

Trends in Financing Affordable Housing



What obstacles face homebuyers?

- ☐ Lack of funds
- ☐ Lack of sufficient income
- ☐ Poor credit



Lack of Funds

☐ 100% / 103%

☐ FHA Plus

☐ Flexible Alternative

☐ 80 / 20

☐ Nehemiah /
AmeriDream

☐ Other programs

■ FHLB

■ IDA

■ HOME

100 % / 103% Financing

- ☐ Most lenders offer programs with high LTV
- ☐ Good credit
- ☐ PMI is required



FHA Plus

- ❑ Standard FHA 1st mortgage
- ❑ VHDA 2nd mortgage-5%
- ❑ Same interest rate for both 1st & 2nd
- ❑ Must be a 1st time homebuyer



Flexible Alternative Loans

Programs:

- ☐ Flex Alt
- ☐ Flex Home Enhancer
- ☐ Flex Home Access

Advantages:

- ☐ Not restricted to 1st time homebuyers
 - ☐ No downpayment
 - ☐ Flexible qualifying ratios
 - ☐ No MI
-

80 / 20

□ 1st mortgage 80% LTV

□ 2nd mortgage 20% LTV

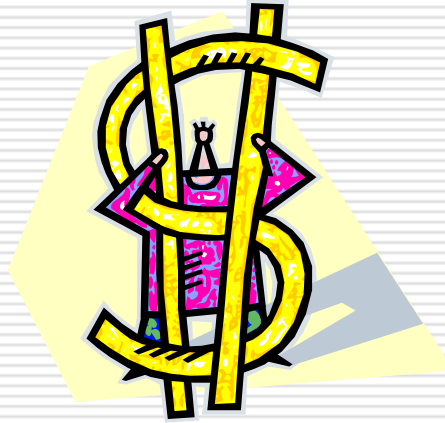
Advantages:

- No MI
 - Blended rates
-

Nehemiah / AmeriDream

- Pre-existing pool of money
 - Builders/Sellers “join”
 - Homebuyers are eligible to receive funds for DP/CC
 - AmeriDream: 2% - 5%
 - Nehemiah: 1% - 6%
-

Other Sources of Funds



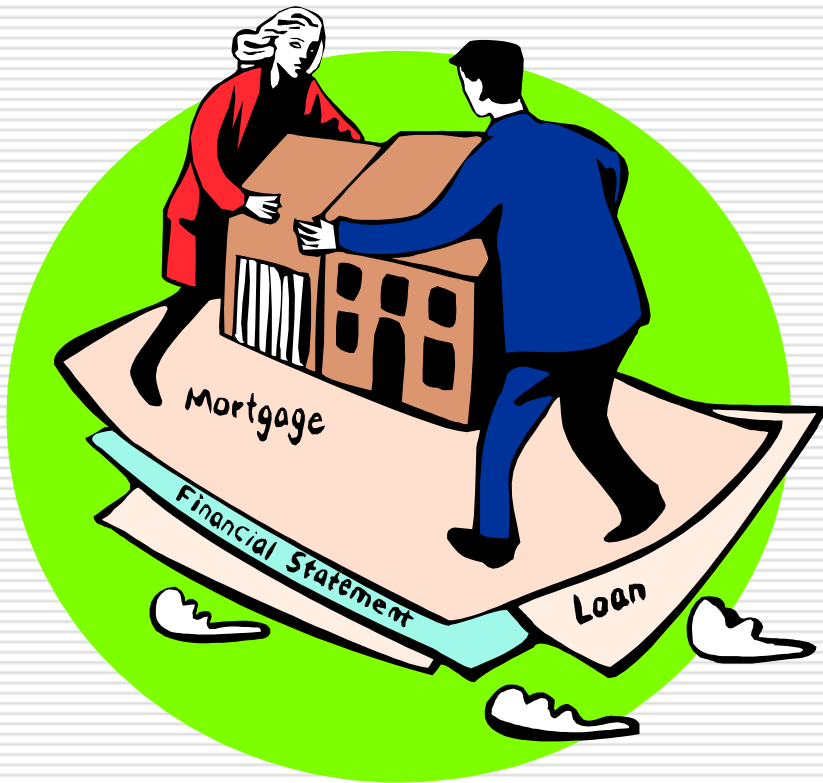
- ☐ FHLB
 - ☐ HOME Funds
 - ☐ IDA
-

Lack of Sufficient Income



- ☐ Regional Loan Fund
 - ☐ STEP
 - ☐ SPARC
 - ☐ ARMs/Hybrid ARMS
 - ☐ Interest Rate Buydowns
 - ☐ Housing Choice Vouchers
-

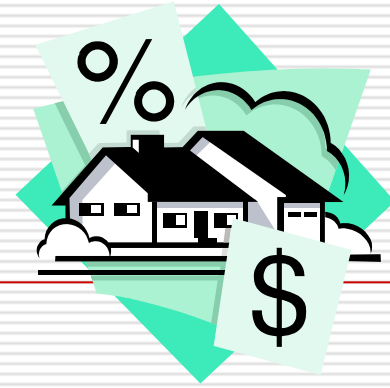
Regional Loan Fund



- ❑ Collaboration of VHDA & DHCD
- ❑ Low interest rate combined with downpayment/closing cost assistance
 - 4.125% 30 yr/fixed
- ❑ Targets borrowers with incomes of 60% AMI and below

SPARC

- ❑ Competitive program
 - ❑ Applicants “design” program
 - ❑ \$55 Million allocated in Round 3
 - ❑ Deadline for proposals is December 8th
 - ❑ Interest rates tiered
 - ½% below VHDA rate
 - 1% below VHDA rate
-



Buydown / STEP

Buydown:

- ☐ Marketing tool
- ☐ Significant cost
- ☐ Typically qualify at 1st year rate

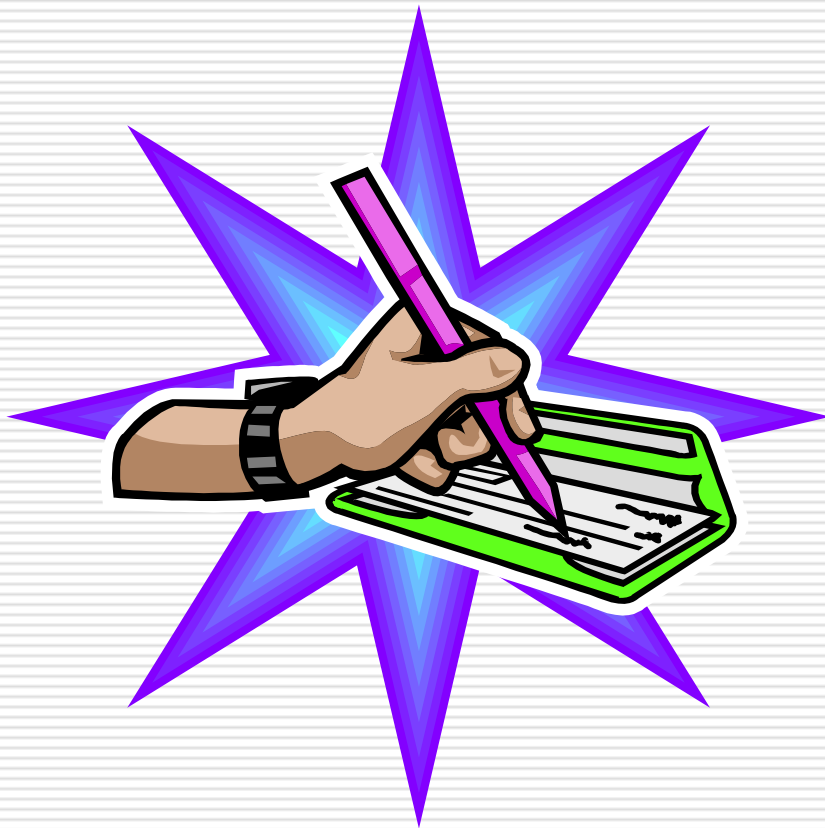
STEP:

- ☐ No cost for lower rate
 - ☐ Conventional/FHA/VA
 - ☐ Typically qualify at 1st year rate
 - ☐ Premium rate for years 3-30
-

ARM / Hybrid ARM

- Adjustable Rate mortgages
 - Lower initial qualifying
 - Annual Adjustment & Life Time Caps
 - Hybrid ARM
 - Fixed for a term & then adjusts annually
 - VA recently announced their Hybrid ARM
 - FHA currently designing a hybrid ARM
-

Housing Choice Voucher



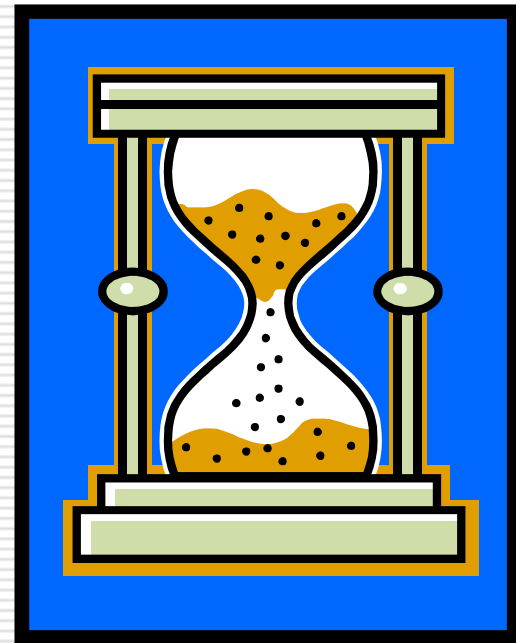
- ☐ Assist 1st time homebuyers with monthly expenses
 - ☐ Families apply through local PHA
 - ☐ Normal voucher program payment standard is used to determine the amount of subsidy
-

Credit

- ☐ FHA programs
 - ☐ Timely Rewards
 - ☐ Fresh Start
 - ☐ Subprime / A- products
 - ☐ Homeownership Education
-

Timely Rewards

- ❑ Interest rate premium for 1st 2 years
- ❑ If mortgage is paid in “timely” fashion-reduction in rate after 2 years



Fresh Start

- ❑ Conventional insured program
 - ❑ Borrower must attend Homeownership education/credit counseling
 - ❑ VHDA 1st time homebuyer interest rate
-



Future Trends

- Future trends in financing affordable housing will rely on:
 - Partnerships
 - Leveraging of Resources
-